



April 5, 2017

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

City of Chicago
Rahm Emanuel, Mayor

Re: [REDACTED]

Department of Law

Dear [REDACTED]:

Edward N. Siskel
Corporation Counsel

I am writing in response to your letter dated January 16, 2017 ("Request") (copy attached), requesting a private letter ruling ("PLR") concerning the application of the Chicago Personal Property Lease Transaction Tax ("Lease Tax"), Chapter 3-32 of the Municipal Code of Chicago ("Code"), to the fees charged by [REDACTED] ("[REDACTED]").

Revenue Litigation
30 North LaSalle Street
Suite 1020
Chicago, Illinois 60602-2580
(312) 744-5691
(312) 744-6798 (FAX)
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Based on the facts set forth in your Request, along with our prior communications, including our meeting of [REDACTED], we agree with the conclusion set forth in your Request, that the fees described in the Request are all either non-taxable or exempt under Exemption 10, Code Section 3-32-050(A)(10) (which exempts "[t]he nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or loan of money or securities, including any related review of accounts or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan.>").

This PLR is based on the text of the Lease Tax Ordinance as of the date of this letter and the facts as represented in the Request being true. The opinions contained herein are expressly intended to constitute written advice that may be relied upon pursuant to Code Section 3-4-325.

Very truly yours,

Weston W. Hanscom
Deputy Corporation Counsel
City of Chicago, Law Department
Revenue Litigation Division
30 N. LaSalle, Suite 1020
Chicago, IL 60602
312-744-9077

Cc: Joel Flores, Department of Finance
Kim Cook, Department of Law

[REDACTED]

January 16, 2017

Via Email: weston.hanscom@cityofchicago.org

Mr. Weston W. Hanscom
Deputy Corporation Counsel
Chicago Department of Law
30 N. LaSalle Street
Suite 1040
Chicago, Illinois 60602

Via Email: kecook@cityofchicago.org

Mr. Kim Cook
Chief Assistant Corporation Counsel
City of Chicago Department of Law
30 North LaSalle Street, Suite 1020
Chicago, IL 60602

Dear Messrs. Hanscom and Cook:

I am writing on behalf of [REDACTED] (the "Taxpayer") to confirm the exemption under the Lease Transaction Tax with respect to the services that it provides to its customers.

Taxpayer is a financial technology company headquartered in [REDACTED]. It offers a platform to financial institutions to allow those institutions to offer digital advice to their account holders. Taxpayer's technology and services enable customer institutions to deliver scalable personalized planning and managed accounts, [REDACTED]. Taxpayer does this by providing integrated account aggregation, analytics, planning and portfolio management.

The essence of these managed accounts services is that Taxpayer checks investor accounts [REDACTED] and, if needed, causes orders to be made to rebalance investor accounts to keep them within asset allocation plans that have been approved by each investor. The asset allocation plan is prepared

during the enrollment process based on a user's personal and financial information, and an investor can subsequently provide new information to change the plan.

A diagram is enclosed as Exhibit A showing the various processes involved in the [REDACTED] rebalancing. Essentially, on a [REDACTED] basis Taxpayer receives data [REDACTED]. It then uses software to compare investors' portfolios with their planned asset allocations [REDACTED]. The rebalancing software identifies where portfolios have diverged from their plans and require rebalancing. The orders for transactions are [REDACTED] and [REDACTED] to make the trades.

As compensation for its services, Taxpayer generally is paid by a customer [REDACTED]. There are two basic parts to the compensation:

1. A fee for managing the account [REDACTED].
2. A fee for use of Taxpayer's model portfolio methodology [REDACTED].

Contracts may also specify minimum compensation floors and may provide for certain implementation fees.

Taxpayer's provided services are in large part automated and cloud-based, and thus could be considered nonpossessory computer leases subject to the lease transaction tax. However they should qualify for Exemption 10 to the lease transaction tax. See Chi. Mun. Code § 3-32-050(A)(10). The Exemption 10 is for a nonpossessory computer lease "to effectuate the deposit, withdrawal, transfer or loan of money or securities, including any related review of accounts or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan." That is the core of what Taxpayer is doing with managed accounts by [REDACTED] checking accounts against target portfolios that account owners have approved and then effectuating any necessary transactions to keep investor portfolios in alignment with their plans. The fee for managing accounts is exempt as effectuating the securities transactions. The fee for the investment methodology should be exempt as providing the framework for review of the investment accounts and directing the [REDACTED] rebalancing.

Thank you for your consideration of this opinion letter request. If you are unable to provide the requested opinion, I would ask that you contact me to discuss this matter.

Sincerely,

[REDACTED]

[REDACTED]

[REDACTED]

Enclosure

Exhibit A: Diagram of Taxpayer Rebalancing System

